

SENATE BILL REPORT

SB 5429

As of January 23, 2009

Title: An act relating to providing incentives for solar electric power.

Brief Description: Providing incentives for solar electric power.

Sponsors: Senators Keiser, Kauffman, Rockefeller, Shin, Kline and Kohl-Welles.

Brief History:

Committee Activity: Environment, Water & Energy: 1/23/09.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Cost-Recovery Incentive Program for Renewable Energy Systems. In 2005 the Legislature created a cost-recovery incentive program to promote renewable energy systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system may apply for an incentive payment from the electric utility serving the applicant. The incentive provides at least 15 cents for each kilowatt-hour of energy produced, with extra incentives for solar generating systems that use components manufactured in Washington. Payments are capped at \$2,000 annually per applicant.

A utility providing incentive payments is allowed a credit against its public utility tax (PUT) for incentives paid, limited to \$25,000 or 0.25 percent of its taxable power sales, whichever is greater.

The cost-recovery incentive program expires June 30, 2015.

Business and Occupation Tax (B&O). The B&O tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity. The rate for retailing activities is 0.471 percent and the rate for wholesaling and manufacturing is 0.484 percent.

Summary of Bill: Extending Expiration Date for the Cost-Recovery Incentive Program. The cost-recovery incentive program for renewable power is extended to June 30, 2025.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Expanding the Cost-Recovery Incentive Program to Commercial & Industrial Solar Projects. The solar incentive program is expanded to commercial or industrial projects that consume at least half the electricity generated in their activities at the generating site. The incentive for such projects is 54 cents per kilowatt-hour and is limited to \$20,000 per utility revenue meter per year.

A project claiming this new incentive is not eligible in the same year for the current incentive payment of \$2,000.

Creating a B&O Tax Credit for Solar Projects. A credit against the B&O tax is provided for a taxpayer that either installs one or more solar energy systems for commercial or industrial purposes in the taxpayer's in-state trade or business facility; or receives certification from the Department of Revenue for financing installation, in an in-state facility, of one or more solar energy systems by a third-party organization exempt from the B&O tax. The credit is 10 percent of the installed cost of the system. Taxpayers are limited to credits totaling \$25,000 for the same building in the same year or \$50,000 in total credits in any year. If the allowable credit exceeds B&O tax liability or there are no B&O taxes due, the unused amount may be carried forward for up to five consecutive taxable years.

Limiting Property Tax Valuations. Increases in property value due to the installation of solar energy systems for the purpose of heating, cooling, or generating electricity will not be subject to property taxation. This exemption, which does not apply to property used by an electric utility, expires July 1, 2020.

Removing Obsolete References. Obsolete references to uniform interconnection standards in the cost-recovery incentive program are removed.

Appropriation: None.

Fiscal Note: Requested on January 20, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause for section 5, creating a B&O tax credit, which takes effect on July 1, 2009.

Staff Summary of Public Testimony: PRO: Flat roofs in commercial and industrial areas are good locations for solar panels. But companies in those areas are hesitant to invest in solar without incentives. The bill will promote green jobs.

OTHER: The expiration date of the current incentive program should be extended, but the rest of the bill, while well intentioned, will promote the increased use of cheaper foreign solar panels at the expense of Washington-manufactured panels. The higher incentive payments for commercial and industrial systems will deplete the incentive program.

Persons Testifying: PRO: Senator Karen Keiser, prime sponsor; Bob Guenther, IBEW 77.

OTHER: Gary Shaver, Silicon Energy, LLC.